

INSTRUCTIONS FOR FORM N-319A

CERTIFIED STATEMENT OF RESEARCH AND DEVELOPMENT COSTS INCURRED BY A
QUALIFIED HIGH TECHNOLOGY AND CLAIM OF THE TAX CREDIT FOR RESEARCH ACTIVITIES

WHERE TO GET TAX FORMS

Hawaii tax forms, instructions, and schedules may be obtained at any taxation district office or through the following:

Website Address:
www.hawaii.gov/tax

Forms by Fax/Mail:
Telephone no.: 808-587-7572
Toll-Free: 1-800-222-7572

GENERAL INSTRUCTIONS

Purpose of Form N-319A — Act 215, Session Laws of Hawaii 2004, relating to Capital Investments (Act 215) requires certification from the Department of Taxation (Department) as a prerequisite to claim the tax credit for research activities for research expenses incurred on or after July 1, 2004. Any taxpayer or partnership (for income tax purposes) claiming the credit must: (1) submit a properly completed Form N-319A to the Department; and (2) attach the Department-issued certificate to the tax return as a prerequisite to claim the credit. Form N-319A allows taxpayers to submit the required certification information in order to receive the necessary certificate for the tax year.

Certification Filing Requirements — Every qualified high technology business (QHTB) claiming the tax credit for research activities (credit) must attach Part II of Form N-319A (the certificate) that has been signed by the Department of Taxation to the Hawaii income tax return as a prerequisite to claim the credit. If the QHTB is a partnership for income tax purposes, both the QHTB and the partners of the QHTB must attach the certificate to their Hawaii income tax return as a prerequisite to claim the credit.

When and Where to File — To obtain the certificate, Part I of Form N-319A must be completed, signed, and submitted by an authorized person of the QHTB to the Department on or before March 30th of each year if the income tax return is filed on a calendar basis. For fiscal year filers, the due date is on or before the day before the last day of the third month following the close of the fiscal year.

Filing Address:
Rules Office
Department of Taxation
P.O. Box 259
Honolulu, HI 96809-0259.

Please allow ten (10) business days from the date the documents are received for the Department's certification.

If a properly completed Form N-319A is submitted, the Department will send the signed certificate to the QHTB at the mailing address listed on the face of Form N-319A. If the QHTB is a partnership for income tax purposes, the QHTB will send to its partners their certificates and its partners must attach their certificates behind Form N-319 at the time the income tax returns are filed with the Department. The QHTB must attach the certificate behind Form N-319 at the time its income tax return is filed with the Department.

Fee for Certifying Amounts for the Credit — Act 215 established a new "Tax Administration Special Fund" and authorized the Department to charge a fee for certifying credit amounts for the credit.

Section 18-235-20.5-01, Hawaii Administrative Rules, sets forth the following fee structure:

\$400 — If the Research Credit Certification is submitted by the QHTB before the third Wednesday in January following the year in which the research expenses were incurred¹

\$750 — If the Research Credit Certification is submitted by the QHTB on or after the third Wednesday in January following the year in which the research expenses were incurred²

\$0 (No fee) — Where the represented claim of credit on the Research Credit Certification submitted by the QHTB is less than \$25,000.

Note: Notwithstanding this fee exemption, the QHTB is still subject to the certification requirements and is required to submit Form N-319A.

¹ For fiscal year filers, the form must be received before the third Wednesday of the first month following the close of the taxpayer's fiscal year in which the research expenses were incurred.

² For fiscal year filers, the form must be received on or after the third Wednesday of the first month following the close of the taxpayer's fiscal year in which the research expenses were incurred.

Completing the Form N-319A — At the time Form N-319A is submitted, a "best estimate" is acceptable if the actual amounts or final numbers are not available. If Form N-319A was completed based upon a "best estimate," the Department will

generally not require a revised and/or amended Form N-319A.

SPECIFIC INSTRUCTIONS

Top of Page 1 of Form N-319A — At the top of Page 1, fill in the QHTB's name, identifying number, mailing address, and contact information.

Part I

Lines 1a. through 1e. — Enter the amount of qualified research expenses attributable to the research activity conducted IN HAWAII for the 2005 taxable year.

Note: Expenses attributed to research activities OUTSIDE HAWAII do not qualify for the credit.

Line 1f. — Add lines 1a through 1e and enter the Total of Qualified Expenses.

Line 2. — Enter the amount of credit to be reported on Line 5 of Form N-319 (multiply line 1f by 20% (0.20)).

Line 4. — If you are a partnership for income tax purposes, attach a list of (a) the partners' names and SSN/FEIN and (b) each partner's allocated/distributive share of the credit.

Top of Page 2 of Form N-319A — At the top of Page 2, fill in the QHTB's name and identifying number.

Part II

Part II is for the Department's use and will be completed by the Department.

The Department will sign Part II (Page 2 of Form N-319A) if the Department finds that the Form N-319A is properly completed.

Upon completion, the Department will mail Part II to the QHTB at the address reported on the face of Form N-319A.

The QHTB shall attach the completed Part II of Form N-319A to Form N-319.